



Business-Cooperative Programs Rural Economic Development Grants

Committed to the future of rural communities.

The Rural Economic Development Grant (REDG) program provides grants to Community Programs (CP) borrowers to promote rural community economic development and job creation projects.

Funds for the REDG program are provided through interest differential credits to the Rural Economic Development subaccount.

The maximum amount for any REDG assistance is three percent of the total appropriation for that fiscal year, rounded to the nearest \$10,000. Minimum assistance is \$10,000.

CP-financed electric and telephone borrowers that are not financially distressed, delinquent on any federal debt, or in bankruptcy proceedings are eligible for assistance through the REDG program.

Eligible Grant Purposes

Grant funds may be used as seed money for revolving loan funds (RLFs) to finance community facilities and infrastructure.

In addition to establishment of RLFs, REDG financing can be used for:

- ◆ project feasibility studies/technical assistance;
- ◆ business incubators established by non-profit organizations;
- ◆ community development assistance for non-profit and public bodies;
- ◆ projects through public, for-profit, or non-profit entities to provide education and training to rural residents to facilitate economic development;
- ◆ projects through public, for-profit, or non-profit entities to provide medical care to rural residents.

Funds may also be used in conjunction with Rural Economic Development Loan (REDL) program financing.

When used in combination with REDL financing, the total REDG amount cannot exceed 20% of total Rural Development zero-interest loan assistance.

If provided in conjunction with REDL assistance, REDG funds must be used for:

- ◆ project feasibility studies;
- ◆ acquisition of technical assistance;
- ◆ business incubators by non-profit groups;

- ◆ community development;
- ◆ education and medical care facilities and equipment.

Revolving Loan Fund Requirements

Revolving loan funds are provided to RUS borrowers for identified projects on a non pass-through basis.

CP borrowers use the grant funds to provide loans to identified projects to foster economic development.

Funds must be lent to the identified project within three years of the REDG approval.

Initial loan funds may be used for business incubators by non-profit groups; community development; or for education or medical facilities and equipment.

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USDA, Director,
Office of Civil Rights

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Washington, DC 20250-9410

800-795-3272 (voice) 202- 720-6382 (TDD)

Loans made from RLF repayments may be used for any rural economic development purpose in accordance with a prior agreement between the CP borrower and Rural Development.

CP borrowers may charge reasonable loan servicing fees as part of the RLF program.

When submitting the completed application, the CP borrower must also supply a proposed budget demonstrating that no more than 10% of the REDG funds received will be used to cover operating expenses of the RLF.

Rural Development Plan Requirements

Resulting RLF programs must be administered in accordance with a rural development plan developed by the CP borrower and approved by Rural Development.

The plan must outline the following:

- ◆ specific objectives for the RLF program, including lending parameters and maximum and minimum loan amounts;
- ◆ coordination of lending activities with other local rural economic development funding sources;
- ◆ eligibility criteria for loan applicants;

- ◆ application process and method of distribution of the funds to the project owner;
- ◆ a procedure for monitoring project accomplishments and reporting requirements.

Scope of Work Requirements

The REDG recipient must submit a scope of work when applying for REDG funds.

The scope of work must contain the following:

- ◆ documented need for grant funds;
- ◆ documented authority and ability of Rural Development borrower to administer RLF;
- ◆ documented ability to commit financial resources to assist in the establishment of a rural development program;
- ◆ documentation that commitments of significant supplemental financial support have been secured;
- ◆ a list of proposed fees and other charges;
- ◆ policy for use of non-Federal funds.

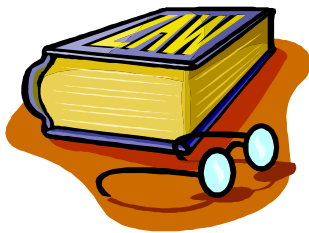
Application Procedure

Applications must be filed on any official workday during

the first 14 days of every month.

Rural Development considers the following factors in the final selection process:

- ◆ rural project location;
- ◆ nature of the project (demonstration project or other) and probability of success;
- ◆ current unemployment rates, economic conditions, and job creation projections including number of long-term jobs created;
- ◆ anticipated long-term improvements in economic development;
- ◆ potential of the project for diversifying the rural economy or alleviating underemployment;
- ◆ anticipated change in population;
- ◆ community-based economic development program;
- ◆ plan for improving the marketable skills of people in rural areas;
- ◆ supplemental funds and other support for the program as evidenced by funds deposited in the cushion-of-credit account;
- ◆ per capita personal income of the area or special economic status.



For more information and specific detailed language regarding the REDG program, contact us for a copy of the appropriate Federal Regulations:

7 CFR 1703, Subpart B or look on the Internet at:
www.access.gpo.gov/nara/cfr/cfr-table-search.html